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CS: 07-12-08  
MR. HAMISH MAXWELL

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CC: R W MURRAY (PME)

THE FOLLOWING IS LAST WEEKS FLASH RE RI ACTIVITIES:

RI FLASH - WEEK ENDING DECEMBER 4, 1981

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1. LEGAL

A) EEC

A MEETING WAS HELD ON FRIDAY, DECEMBER 4 IN LONDON WITH BOTH THE PM AND REMBRANDT LAWYERS ATTENDING. THE EEC SUBMISSIONS WERE DISCUSSED AND COORDINATED. ANOTHER MEETING TOOK PLACE ON SATURDAY DECEMBER 5 IN BRUSSELS WITH M. WAELBROECK, TO REVIEW THE PM EEC SUBMISSION. IT WAS DECIDED THAT THE PM SUBMISSION, CONSISTING OF A REBUTTAL TO THE RJR COMPLAINT AND A MEMORANDUM ON THE INAPPLICABILITY OF ARTICLE 85, WILL BE MADE BEFORE CHRISTMAS. THE REMBRANDT SUBMISSION WILL NOT BE READY BEFORE JANUARY.

PROF. GUTOWSKY HAS ALSO BEEN ENGAGED BY PM TO DEVELOP AN ECONOMIC STUDY THAT WILL BE SUBMITTED TO THE EEC.

B) GERMANY

THE PRELIMINARY FCO RULING WAS RECEIVED ON WEDNESDAY, DECEMBER 2. THE RULING ASSERTED LEGAL AUTHORITY TO PROHIBIT THE INTERNATIONAL "MERGER" EFFECTED BY PM'S ACQUIRING RTH SHARES. THE FCO THEN STATED THAT IT RESTRICTS ITSELF TO THE GENERAL MARKET IN THE DIVESTITURE PROCEEDINGS THAT WOULD FOLLOW A FINAL PROHIBITION ORDER. THE CRITICAL FACTOR TAKEN INTO CONSIDERATION BY THE FCO SEEMS TO BE THE MARKET STRUCTURE, AND IT CONCLUDED THAT IT WOULD BE ADVERSELY AFFECTED BY THE MERGER OF TWO OLIGOPOLISTS. NO CONSIDERATION OF BRAND OR ADVERTISING COMPETITION IS TAKEN. THE PARTIES HAVE UNTIL JANUARY 15, 1982 TO RESPOND. THE FCO ALSO INDICATED THAT IT INTENDS TO TO IMPOSE PRELIMINARY MEASURES UPON THE PARTIES, TO PREVENT ACTIONS THAT MIGHT MAKE ULTIMATE DIVESTITURE MORE DIFFICULT.

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THE ENGLISH TRANSLATION OF THE FCO LETTER SHOULD BE AVAILABLE ON MONDAY, DECEMBER 7.

THE QUESTION OF IMPOSING PRELIMINARY MEASURES, FOR WHICH THE FCO ASKED FOR COMMENTS UNTIL DECEMBER 31, IS OF IMMEDIATE CONCERN. THE PM AND REMBRANDT LAWYERS, MESSRS. HEIDENHAIN AND HIRSCH, ARE SCHEDULED TO CALL ON THE FCO ON WEDNESDAY, DECEMBER 9, TO:

- ADVISE THE FCO OF OUR OBJECTION TO ANY PRELIMINARY MEASURES;
- FIND OUT WHAT PRELIMINARY MEASURES THE FCO HAVE IN MIND.

DURING THE MEETING, MESSRS HEIDENHAIN AND HIRSCH WILL REQUEST A DELAY IN THE DECEMBER 31 AND JANUARY 15 DEADLINES, IN VIEW OF THE CHRISTMAS HOLIDAYS.

- C) CANADA  
NO NEW DEVELOPMENTS.

## 2. POLITICAL ACTION

### GERMANY

- A) MR C. GOLDSMITH RECEIVED A LETTER FROM DR. O. SCHLECHT, FOLLOWING THEIR NOVEMBER 20, 1981 MEETING IN BONN. DR. SCHLECHT INDICATES THAT HE HAS SPOKEN TO DR. KARTTE, AND EXPLAINED TO HIM OUR POSITION. HE ALSO SAYS IN HIS LETTER THAT IT MUST BE UNDERSTOOD THAT, GIVEN ITS LEGAL MANDATE, THE FCO MUST ACT INDEPENDENTLY. A DRAFT REPLY FROM MR. C. GOLDSMITH HAS BEEN COMMENTED UPON.
- B) S. GUNNARSSON MET ON DECEMBER 1 WITH SENATOR PIROD, WHO IS RESPONSIBLE FOR ECONOMIC AFFAIRS IN BERLIN. THE PM POSITION WAS EXPLAINED, AND MR. PIROD INDICATED A WILLINGNESS TO ASSIST. IT IS EXPECTED HE WILL SHORTLY MEET WITH THE ECONOMIC MINISTERS OF BAVARIA AND BREMEN, TO SPECIFICALLY REVIEW THE PM CASE.
- C) FOLLOWING HIS ATTENDANCE IN THE PIROD MEETING, CONTACT WAS MADE WITH MR. ROBERT LEYTON, HEAD OF THE BERLIN DEVELOPMENT AGENCY. MR. LEYTON WAS PREVIOUSLY MANAGING DIRECTOR OF FORD GERMANY, AND IS NOW RESPONSIBLE FOR PROMOTING INVESTMENT IN BERLIN. MR. LEYTON PROMISED EH HIS HELP AND SUPPORT IN OUR CASE.
- D) REPRESENTATIVES OF THE UNION MOVEMENT CONTACTED PMG, AND REQUESTED TO MEET AND DISCUSS OUR CASE. THREE SENIOR UNION OFFICIALS, MESSRS. DOEDING, KOCHERSCHIED AND NIEBRUGGE, WILL ATTEND THE MEETING SCHEDULED FOR DECEMBER 18. THE MANAGEMENT OF M. BRINKMANN IS AWARE OF THE MEETING.
- E) REPRESENTATIVES OF MARTIN BRINKMANN MET IN BREMEN WITH THE CARTEL OFFICE OF BREMEN, REQUESTING THEIR SUPPORT WITH THE FCO.

### 3. OPERATIONS

#### A) FACTORY VISITS:

G. KARANDJOULIS AND PME OPERATIONS PERSONNEL VISITED THE FOLLOWING RI FACTORIES IN BELGIUM DURING THE WEEK OF NOVEMBER 30:

- JUBILE IN LIEGE;
- LAURENS IN BRUSSELS;
- VANDER ELST AND TABALUX (ROLL-YOUR-OWN PRODUCTION) IN ANTWERP;

THE TABACOFINA CIGAR FACTORY AND PRINTING COMPANY WILL BE VISITED IN THE NEAR FUTURE, AS WILL THE LAURENS FACTORY IN THE HAGUE.

FACTORY VISITS IN THE UK ARE SCHEDULED FOR THE WEEK OF DECEMBER 7.

- B) DURING THE MEETINGS IN BELGIUM, CONTRACT MANUFACTURING DISCUSSIONS CONTINUED, WITH THE MAIN POINT BEING EQUIPMENT. THESE MATTERS WILL NOW BE REVIEWED INTERNALLY, AND ANOTHER MEETING WITH TABACOFINA HAS BEEN SCHEDULED FOR DECEMBER 16 IN ANTWERP. A CONVERSION COST PRICE OF BF 97 PER 1000 CIGARETTES WAS ASKED BY TABACOFINA, BUT REJECTED AS CONSIDERED TOO HIGH. NEGOTIATIONS WILL CONTINUE.

- C) ON THE SUBJECT OF EXPANDED TOBACCO, IT HAS NOW BEEN AGREED THAT CARRERAS ROTHMANS UK WILL MAKE EXPANSION TRIALS IN OUR MUNICH FACILITIES ON DECEMBER 15 AND 16: TWO RUNS OF 6 TONS EACH WILL BE MADE.

### 4. ADMINISTRATION/FINANCE

AN ARTICLE APPEARED IN THE FINANCIAL TIMES WEDNESDAY, DECEMBER 3, REPORTING THE REMBRANDT GROUP INTERIM RESULTS. THE FULL TEXT IS AS FOLLOWS:

''REMBRANDT, THE SOUTH AFRICAN LIQUOR AND TOBACCO GROUP, HAS REPORTED A 14.7 O/O INCREASE IN TAXED INCOME TO R 54.5 MILLION (DLRS 56.7 MIO) FROM R 47.5 MILLION A YEAR EARLIER FOR THE HALF YEAR ENDED SEPTEMBER. EARNINGS PER SHARE WERE 161.2 CENTS, UP FROM 131 CENTS. THE INTERIM DIVIDEND WAS RAISED TO 23 CENTS A SHARE FROM 18 CENTS. THE COMPANY DOES NOT GIVE REVENUE FIGURES. THE GROUP CONTROLS CIGARETTE AND LIQUOR COMPANIES IN THE UK AND ELSEWHERE, INCLUDING ROTHMANS INTERNATIONAL, THROUGH AN UNLISTED COMPANY RUPERT FOUNDATION, REMBRANDT ALSO HAVE EXTENSIVE SOUTH AFRICAN MINING AND BANKING INTERESTS.

EARLIER THIS YEAR THE GROUP, STILL HEADED BY ITS FOUNDER DR. ANTON RUPERT, STRUCK A CONTROVERSIAL DEAL WITH PHILIP MORRIS''.

WE ARE NOW ARRANGING FOR THE FULL REPORT TO BE FORWARDED TO US.

## 5. BUSINESS DEVELOPMENTS

- A) A MEETING WAS HELD IN LONDON ON WEDNESDAY, DECEMBER 2; ATTENDING WERE R.W. MURRAY, E. HOUMINER, W. THOMA (PARTIAL) AND V. BRINK. SUBJECTS DISCUSSED INCLUDED EGYPT, FRANCE, IRELAND, THE GULF, AS WELL AS FOLLOW-UP DISCUSSIONS ON VARIOUS ASIAN MATTERS RELATING TO MALAYSIA, PHILIPPINES AND INDIA. A FULL REPORT WILL BE INCLUDED IN THE NEXT FLASH.
- B) INTERNAL WORK ON VARIOUS PROJECTS IN EUROPE AND ASIA CONTINUED.

## 6. GENERAL

- A) A MEETING WAS HELD IN GENEVA ON DECEMBER 1, 1981 WITH MR. BENNETT OF CARTIER, DURING WHICH INFORMATION ABOUT CARTIER WAS OBTAINED.
- A MEETING WAS HELD ON DECEMBER 2 WITH M. MOCKRIDGE, TO DISCUSS AND INITIATE CERTAIN ACTIONS RELATING TO LOBSTER.
- C) EH, TOGETHER WITH W.T. MARTIN AND V. TINUCCI, WILL BE VISITING STELLENBOSCH DURING THE WEEK OF DECEMBER 7 TO DISCUSS VARIOUS TRADEMARK AND LICENSING ARRANGEMENTS MATTERS.
- D) THE FOLLOWING ARE THE SHARE PRICES OF RI COMPANIES AS AT DECEMBER 4 (PREVIOUS WEEK'S PRICES IN BRACKETS):

ROTHMANS INTERNATIONAL (POUND)	76.0	(77.5 P)
DUNHILL	247	(247 P)
CARROLLS (IRISH POUND)	81	(67 P)
TABACOFINA (BELGIAN FRANCS)	2670	(2700)
RPM CANADA (CAN DLRS) COMMON	20 7/8	(20 2/8)
PREFERRED B	9 5/8	(9 1/2)
CARLING O'KEEFE COMMON	5 3/4	(5 7/8)
PREFERRED A	17 1/4	(17 1/4)
PREFERRED B	23	(22 1/2)
RPM AUSTRALIA (AUS. DLRS)		
SYDNEY	4.25	(4.20)
MELBOURNE	4.20	(4.20)
ROTHMANS IND. NZ (NZ DLRS)	1.47	(1.50)
RPM MALAYSIA (SING. DLRS)	9.55	(8.70)

THE ROTHMANS INTERNATIONAL SHARE PRICE CLOSING OF 76.0 P IS AN OBVIOUS INDICATION OF THE ABATEMENT OF THE SPECULATIVE INTEREST.

REGARDS,